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ABSTRACT

This student workbook on starting a small business is part of the entrepreneur training program at Ocean County (New Jersey) Vocational-Technical Schools. The workbook consists of 16 units containing goals and objectives, study questions, exercises, sample materials, and information sheets. Unit topics are as follows: being a small business owner; planning a small business; setting up a small business; choosing a location; getting money to start a business; being in charge; organizing the work; buying and keeping track of goods and supplies; setting prices; advertising and selling; keeping financial records of revenues and expenses; making sure you have enough cash; keeping your profits high; keeping your business successful; and taxes and insurance. Quizzes and an entrepreneur awareness survey are appended. (KC)

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ENTREPRENEUR TRAINING PROGRAM

Getting Started

OCEAN COUNTY VOCATIONAL TECHNICAL SCHOOL

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Ocean County Vocational-Technical School

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TABLE OF CONTENTS

Entrepreneurship Training Program - Getting Down To Business..... 1

Unit 1..... 2

Being A Small Business Owner..... 2
Study Questions..... 3
Case Study or Planning Exercise..... 4

Unit 2..... 5

Planning A Small Business..... 5
Study Questions..... 6
Case Study or Planning Exercise..... 7
Sample Business Plan Outline I..... 8
Sample Business Plan Outline II..... 10
SRA Business Development Pamphlets Form..... 12

Unit 3..... 13

Setting Up A Small Business..... 13
Study Questions..... 14
Case Study or Planning Exercise..... 15

Unit 4..... 16

Choosing A Location..... 16
Study Questions..... 17
Mini Exercise..... 18
Location Simulation Analysis..... 19
Location Game Materials Packet..... 20
Student Introduction to "Location Decisions"..... 21
Instructions for Information Gathering..... 23
Administrator's Tally Sheet..... 25
Starting A Business - Score Sheet..... 26
Business Profile..... 27

Unit 5..... 28

Getting Money To Start..... 28
Study Questions..... 29
Case Study or Planning Exercise..... 30
Financial Need Statement..... 31
Cash Flow Statement..... 32
Personal Financial Statement..... 33
Balance Sheet - Worksheet..... 34
Projected Income Statement - Worksheet..... 35
Sample Installment Loan Application..... 36
How To Get A Bank Loan - "The Five C's of Credit"..... 37

TABLE OF CONTENTS - CONTINUED

Unit 6 38

Being In Charge 38
Study Questions 39
Case Study or Planning Exercise 40

Unit 7 41

Organizing the Work 41
Study Questions 42
Case Study or Planning Exercise 43
Sample Work Order and Work Schedule 44

Unit 8 45

Buying and Keeping Track of Goods and Supplies 45
Study Questions 46
Sample Inventory Card and Purchase Order 47

Unit 9 48

Setting Prices 48
Study Questions 49
Case Study or Planning Exercise 50
Setting Prices Handout 51
ABC Repair Company - Projected Overhead Expenses for the Upcoming Year ... 52
Methods to Use to Determine Overhead Costs 53
The Entrepreneur's Quiz 54
Scoring Sheet for The Entrepreneur's Quiz 58

Unit 10 59

Advertising and Selling 59
Study Questions 60
Case Study or Planning Exercise 61

Unit 11 62

Keeping Financial Records (Revenues) 62
Study Questions 63
Case Study or Planning Exercise 64
The Sales Slip 65
Customer Account Form and Customer Billing Form 66
Requirements of a Good Record System and Minimum Records Required 67
Small Business Financial Status Checklist - What an Owner Should Know 68

Unit 12 69

Keeping Financial Records (Expenses) 69
Study Questions 70
Case Study or Planning Exercise 71
The Business Checkbook and Daily Cash Sheet 72
Sample Bank Statement, Checkbook Register and Reconciliation Statement ... 73

TABLE OF CONTENTS - CONTINUED

Unit 13..... 74

Making Sure You Have Enough Cash..... 74
Study Questions..... 75
Case Study or Planning Exercise..... 76
Cash Flow Statement..... 77

Unit 14..... 78

Keeping Your Profits High..... 78
Study Questions..... 79
Case Study or Planning Exercise..... 80
Projected Income Statement - Worksheet..... 81
Two Year Profit/Loss Statement..... 82

Unit 15..... 83

Keeping Your Business Successful..... 83
Study Questions..... 84

Unit 16..... 85

Taxes and Insurance..... 85
Study Questions..... 86

Appendix..... 87

Entrepreneur Awareness Survey - What Do You Know About Small Business.... 88
Quiz One (Review of Units One through Four)..... 92
Quiz Two (Review of Units Five through Nine)..... 93
Quiz Three (Review of Units Ten through Fifteen)..... 94

ENTREPRENEURSHIP TRAINING PROGRAM

GETTING DOWN TO BUSINESS - WHAT IT'S ALL ABOUT

Overview: The purpose of this course is to provide vocational high school students with an introduction to the career option of small business ownership.

MEETING	DATE	LESSON
1	_____	Pre-test: Introduction Begin Unit 1: Being a Small Business Owner
2	_____	Complete Unit 1: Being a Small Business Owner
3	_____	Unit 2: Planning a Small Business
4	_____	Unit 3: Setting up a Small Business
5	_____	Unit 4: Choosing a Location Review for Quiz One
6	_____	Quiz One: Units 1 through 4 (Examine notebooks) Begin Location Simulation: Start of game
7	_____	Location Simulation: Complete game and scoring
8	_____	Unit 5: Getting Money to Start a Business
9	_____	Unit 6: Being in Charge Unit 7: Organizing the Work
10	_____	Unit 8: Buying and Keeping Track of Goods and Supplies Unit 9: Setting Prices
(11)	_____	Quiz Two: Units five through nine Entrepreneur Profile Self Analysis
12	_____	Pricing Simulation Exercise
13	_____	Unit 10: Advertising and Selling
14	_____	Unit 11: Keeping Financial Records (Revenues) Unit 12: Keeping Financial Records (Expenses)
15	_____	Unit 13: Making Sure You Have Enough Cash Unit 14: Keeping Profits High
(16)	_____	Unit 15: Keeping Your Business Successful Review for Quiz Three Quiz Three: Units ten through fifteen
17	_____	Unit 16: Taxes and Insurance Review All Units for Final Exam
(18)	_____	Final Exam Center Principal awards Honor Certificates Instructor's Closing Summary and Farewell Comments "Seeds of Greatness" and "The Greatest Gift"

UNIT 1

BEING A SMALL BUSINESS OWNER

GOAL: To help you see what small business ownership is all about.

OBJECTIVE 1: Define SMALL BUSINESS and SMALL BUSINESS OWNER.

SMALL BUSINESS: An organization that sells products or services as a means of income (for profit)

Most common characteristics - If you looked at 1,000 small businesses you would find that most of them have:

1. Only one or two owners
2. Zero to four employees
3. One or two locations
4. Relatively low start up costs
5. Fairly small incomes for the first few years in business

ENTREPRENEUR: A person who plans, organizes and operates a business enterprise and assumes the risks and rewards of ownership

OBJECTIVE 2: Name at least three personal qualities you should have as a Small Business Owner

Drive	Curiosity	Sociability
Persistence	Imagination	Confidence
Energy	Creativity	Leadership
Good Health	Independence	Boldness
Decisive	Willing to take risks	

OBJECTIVE 3: List at least five things you will have to do to own and operate a small business

Small business owners have the following eight major duties and responsibilities:

P - Planning the business
O - Organizing the work
P - Pricing for profits
R - Recording income and expenses

C - Controlling and managing people
G - Goods and supplies - purchasing and storing
S - Selling and advertising
S - Staying successful

UNIT 1

STUDY QUESTIONS

1. Define a Small Business.

2. Define an Entrepreneur.

3. Name three common characteristics of a typical small business.

4. Name five personality characteristics of a typical entrepreneur.

5. List the eight major duties or responsibilities of a small business owner.

6. If current Gross National Product is about 4.2 trillion dollars, about how much of that is produced by small business in America?

7. If current National Employment is about 110 million people, how many of them work in small businesses?

8. What percent of all businesses in America have four employees or less? Twenty employees or less? More than five hundred employees?

9. Identify the four "Requirements for Success".

10. Of the 600 to 700 thousand new businesses that start each year, what percent fail within the first two years? Within the first five years? Within the first ten years?

11. What are the primary and secondary factors that can lead to business failure?

12. What are some sources of opportunity indentified as "purposeful innovation", by Peter Drucker?

UNIT 1

CASE STUDY OR PLANNING EXERCISE

Exercise: Prepare an action plan for how you can achieve an adequate level of competence for each of the following areas:

1. Technical competence for trade area.

   a. What are your current abilities?
      Are they enough to start your business?

   b. Where can you learn more?

   c. How long will this take?

   d. What will it cost?

2. Management skills needed to own and operate a business

   a. What are your current abilities?
      Are they enough to start your business?

   b. Where can you learn more?

   c. How long will this take?

   d. What will it cost?

3. Market potential analysis

   a. Is there a need for your product or service
      in your geographic area?

   b. Who are the customers?

   c. How many are in the market?
      What share of the market can you capture?

   d. What is the competition doing now?

UNIT 2

PLANNING A SMALL BUSINESS

GOAL: To help you plan what your small business will be like.

OBJECTIVE 1: List five questions to ask in deciding whether to start a small business.

1. Do I want to go into business and become self employed? Why?
2. What kind of business do I want to start?
3. What information do I need?
4. Where can I find this information?
5. Collect and study this information and make a decision

OBJECTIVE 2: List four things you should examine by market research analysis in order to decide what products or services to offer for sale in your own small business.

1. TRENDS - Local, state, national and international
   How they may affect the business opportunity
2. CUSTOMERS - Who are they? What are the like?
3. COMPETITION - Their strong and weak points
   How is my product different?
4. PRODUCTS OR SERVICES - What could I offer to take advantage of my special skills and abilities or meet an unsatisfied customer need or want

OBJECTIVE 3: List three advisors used by small business owners and other sources of business information.

ADVISORS

Personal Contacts	Professional Contacts
Employers	Bankers
Customers	Accountants
Suppliers	Lawyers
Relatives	Realtors
Friends	Mgt. Consultants
	Insurance Agents

SOURCES OF INFORMATION

- Chamber of Commerce
- SCORE (Service Corps of Retired Executives)
- Small Business Administration
- Business Associations
- Trade Associations
- Local Library
- State and Federal Government Economic Development Departments

OBJECTIVE 4: List the logical planning steps to start a new business.

First: Decide if you want to be in business for yourself
Second: Decide on the products or services your will offer for sale
Third: Plan and decide on the best location for your business
Fourth: Prepare a detailed business description (20 or 30 page plan)
Fifth: Apply for a bank loan

UNIT 2

STUDY QUESTIONS

1. List five decisions you will have to make before you start your business.

2. Name six major areas for which the small business owner needs information to make decisions.

3. List four or five basic steps you can take before making any decision.

4. What are the four major factors you must consider before selecting products or services in your business?

5. Identify major information sources from people with whom you are in daily contact and professionals whom you could use as advisors.

6. List several other local sources of information and some state and federal departments or offices which can provide you with needed information.

UNIT 2

CASE STUDY OR PLANNING EXERCISE

EXERCISE: Distribute scatter group numbers with twenty seconds to locate in order. Then, the same exercise with numbers identified by quadrant and additional location information. Compare results of finding the numbers with and without "the plan" or method.

Highlights:

A. The value and importance of planning

B. Plan the work - work the plan

C. Will you plan to fail, or fail to plan?

D. $150 per month for 45 years at 7% = $568,889.
$150 X 540 months = $81,000.00

BUSINESS PLAN OUTLINES: Use the two attached business plan outlines as samples to guide you in building your own specific business plan.

UNIT 2

SAMPLE BUSINESS PLAN OUTLINE I

I. Cover Sheet

- A. Name of business
- B. Name of owners
- C. Name, address and phone number of contact person

II. Table of Contents

III. Executive Summary

- A. The company description (name, objective of business)
- B. Market potential (trends, sales volume, company's major competitive advantage[s])
- C. Financial summary (funding needed, summary of income statements for three to five years)

IV. Description of Business

- A. Nature of business
- B. Location of business
- C. Legal form of organization
- D. Description of products and/or services
- E. Strengths of business
- F. Weaknesses of business and how they will be corrected
- G. Why business will be successful

V. Marketing Plan

- A. Selling techniques
- B. Advertising campaign
- C. Pricing strategies
- D. Share of market
- E. Interior Design
- F. Product displays

SAMPLE BUSINESS PLAN OUTLINE I - CONTINUED

VI. Management and Organization of Business

- A. Names of owners
- B. Background of owners
- C. Names of key managers (other than owners)
- D. Qualifications of managers
- E. Organization chart
- F. Operating policies and procedures
- G. Compensation of key positions

VII. Resource Requirements

- A. Financial resources needed
- B. Sources of funds (funds provided by owners and creditors)
- C. Equipment needed (costs)
- D. Real estate needed (costs)
- E. Personnel needed (total salaries)

VIII. Financial Plan

- A. Projected income statements (three to five years)
- B. Projected cash flow statements (three to five years)
- C. Current balance sheet

IX. Business Start-Up Schedule

- A. Short-term and long-term objectives
- B. Stated times the objectives will be accomplished

SOURCE: Small Business Management, 4th Edition, Raymond T. Hubbard and William D. Hailes, Jr., Delmar Publishers Inc., Two Computer Drive West, Box 15-015, Albany New York 12212

UNIT 2

SAMPLE BUSINESS PLAN OUTLINE II

I. Cover Page

- A. Name of company and status
- B. Address
- C. Phone number
- D. Principals
- E. Logo
- F. Submitted to (for financing only)

II. Table of Contents

III. Purpose (one page, for financing)

- A. Company name and type
- B. Amount of money needed
- C. How the money will be used
- D. Effect of the money on the business

IV. Purpose (one page, for nonfinancial plan)

- A. Company name and type
- B. Goals or policies of the plan
- C. How the plan will be implemented

V. The Business

- A. Business description
- B. Market analysis
- C. Competition analysis
- D. Location analysis
- E. Management expertise
- F. Support personnel
- G. How money will be applied and effect on business (if at cable)
- H. Summary

UNIT 2
SAMPLE BUSINESS PLAN OUTLINE II - CONTINUED

VI. Financial Information

A. Personal capital being applied
   1. How much
   2. Application
B. Equipment list
C. Break-even analysis
D. Balance sheet
E. Pro forma cash-flow analysis
   1. First year, month by month
   2. Second and third years, quarter by quarter
F. For existing business
   1. Current audited financial statement
   2. Tax returns for past three years
   3. Any other significant historical information

VI. Supporting Information

A. Resume/Vita
B. Letters of intent
C. Purchase orders
D. Letters of recommendation
E. Job descriptions
F. Newspaper and magazine clippings
G. Special awards, achievements
H. Additional relevant information supporting your business

SOURCE: How to Develop a Successful Business Plan, AEA Special Report No. X3317, AEA, 2311 Pontius Avenue, Los Angeles, California 90064

To Receive SBA BUSINESS DEVELOPMENT PAMPHLETS from SBA 115A Oct. 86

($.50 EACH ITEM CHECKED)

MAIL TO: US Small Business Administration,
P.O. Box 30, Denver Colorado 80201-0030
(Allow six weeks for delivery)

Name _____

Street _____

City/State/Zip _____

_____ Free Copy of Form 115A Business Development Pamphlets

FINANCIAL MANAGEMENT AND ANALYSIS

_____ MA1.001 The ABC's of Borrowing
_____ MA1.011 Analyze Your Records to Reduce Costs
_____ MA1.004 Basic Budgets for Profit Planning
_____ MA1.015 Budgeting in a Small Business Firm
_____ MA1.016 Sound Cash Management and Borrowing
_____ MA1.017 Keeping Records in Small Business
_____ MA1.018 Checklist for Profit Watching
_____ MA1.019 Simple Breakeven Analysis for Small Stores
_____ MA1.009 A Venture Capital Primer for Small Business
_____ MA1.010 Accounting Services for Small Service Firms

GENERAL MANAGEMENT AND PLANNING

_____ MA2.002 Locating or Relocating Your Business
_____ MA2.004 Problems: Managing Family Owned Businesses
_____ MA2.016 Checklist for Going Into Business
_____ MA2.007 Business Plan for Small Manufacturers
_____ MA2.008 Business Plan for Small Construction Firms
_____ MA2.020 Business Plan for Retailers
_____ MA2.010 Planning and Goal Setting for Small Business
_____ MA2.022 Business Plan for a Small Service Firm
_____ MA2.011 Fixing Production Mistakes
_____ MA2.025 Thinking About Going Into Business?
_____ MA2.026 Feasibility Checklist for Starting a Small Business
_____ MA2.014 Should you Lease or Buy Equipment?
_____ MA2.027 How to Get Started With a Small Business Computer
_____ MA2.028 Business Plan for Home Based Businesses

MARKETING

_____ MA4.002 Creative Selling the Competitive Edge
_____ MA4.015 Advertising Guidelines for Small Retail Firms
_____ MA4.005 Is the Independent Sales Agent for You?
_____ MA4.018 Plan Your Advertising Budget
_____ MA4.019 Learning About Your Market
_____ MA4.012 Marketing Checklist for Small Retailers

UNIT 3

SETTING UP A SMALL BUSINESS

GOAL: To help you make decisions about buying, organizing and licensing your small business.

OBJECTIVE 1: Describe the three forms of business ownership.

1. Sole proprietorship
2. Partnership
3. Corporation and Subchapter S Corporation

OBJECTIVE 2: Describe four types of business opportunities (ways of getting into business).

1. Buy an existing business
2. Start a new business
3. Getting a franchise
4. Inherit an existing business

OBJECTIVE 3: List types of business permits or licenses that may be needed to start a small business

1. Certificate of Occupancy
2. Building, zoning or use permits
3. City or state licenses to do business
4. Health permits
5. Fire department permits to store and use hazardous materials
6. Occupational licenses

UNIT 3

STUDY QUESTIONS

1. Describe the three forms of business ownership.

2. List several ways that you may become the owner of your own small business.

3. Name some business "permits" or "licenses" you may require for your business.

4. What are three major and three minor factors you should consider when choosing the legal form your business should take.

5. Consider several advantages and several disadvantages of buying an existing business or starting a new business from scratch.

6. List several advantages and several disadvantages of each of the legal forms of business.

    a. Sole proprietorship
    b. Partnership
    c. Corporation

7. What articles of partnership should be included in your partnership agreement to protect your business interests.

8. What are the major advantages of a franchise? Disadvantages?

UNIT 3

CASE STUDY OR PLANNING EXERCISES

As part of your "business plan", carefully describe your future business.

1. What business will you be in?
2. What products or services will you sell?
3. What products or services have you decided not to sell or do?

Along with this outline, select a legal form for your business and explain why you selected that form. What will be the advantages to you and your business? What would some disadvantages be?

UNIT 4

CHOOSING A LOCATION

GOAL: To help you choose a business location.

OBJECTIVE 1: List five things to think about in choosing a business location (What should you study or analyze.)

1. Number of people living in the area.
2. Kind of people living in the area.
3. Kind of business area.
4. Business history of the area.
5. Condition and cost of building.

OBJECTIVE 2: List four ways you can get information to help you choose a good business location.

Local Chamber of Commerce
Library - Statistical abstract of the United States
Local, county and state demographics
Street maps
Visit locations and areas, drive around areas, walking tours
Interview people in the neighborhood

a. Business owners in adjacent stores
b. Home owners
c. Potential customers

THE COMMUNITY SELECTION FACTORS

Population of town and adjacent area
Age and kind of people
Growth rate of town and area
Per capital income of population
Nature and prosperity of industry
Competition - Number, type and distance
Related businesses - can draw to you
Total and per capita retail sales
Annual sales in area/your type of company
Climate - weather - snowfall, etc.
Rents, insurance, banking facilities
Labor conditions, pool of employees
Taxes and government cooperation
Transportation systems available

SITE SELECTION FACTORS

Easy to reach - transportation available
Parking facilities nearby
Amount of vehicle/pedestrian traffic
Street conditions - light, space, repair
Facilitate deliveries from suppliers
Position - corner, middle, set back
Signs - placement, zoning laws, visible
Appearance of existing buildings/area
Zoning restrictions
Space for growth and expansion

YOUR PERSONAL FACTORS

Personal preference
Family, friends, hobbies

UNIT 4

STUDY QUESTIONS

1. What are five things you should study about a particular site location before deciding to open a business there.

2. What would be five community selection factors.

3. Name at least five site selection factors.

4. List several sources of gathering this information.

5. What "demographics" do you know about for Ocean County? Your own hometown?

MINI EXERCISE

FRANK DECIDES WHERE TO LOCATE

Frank Vitale, an experienced chef and waiter, was thinking about starting a health food restaurant. He knew that health food restaurants were very popular across the country, especially among the well-educated middle class. Competition was mainly from other medium-prices restaurants, such as family restaurants or those offering foreign food.

Frank wanted to locate in a certain Colorado town. He had studied the people living there and the competition. There were no other health food restaurants in town, and he felt that his would be successful. He needed to pick a specific location in town. Here are his notes on the three spots he liked best.

Site #1: On Central Avenue in the downtown business district. It used to be a medium-priced Greek restaurant that went out of business. The area has may high-rise office buildings and several exclusive dress shops. There is a very successful, expensive French restaurant nearby and a theater giving modern plays about six blocks away. The building rents for $500 per month and does not need to be remodeled.

Site #2: A former coffee shop located on College Avenue in a neighborhood shopping area near the university. Students, single working people and young middle-class couples live in the area. There is a large drugstore and a movie theater in the same shopping area, and two blocks away is a family hamburger restaurant. The rent is $400, and the building needs to be redecorated a bit.

Site #3: Located on Aspen Drive, the main road leading out of town. About one-half a mile before coming to the building, the number of stores and homes begins to decrease and farms appear. Lower middle class factory and farm workers live in the nearest group of homes. The building, which rents for $300, used to be a bakery, so it needs some remodeling.

Frank decided to rent Site _____. After six months, his business was doing quite well. The number of customers was increasing each week.

UNIT 4

LOCATION SIMULATION ANALYSIS

See attached game instructions and scoring sheets

1. Game materials packet sheet
2. Student introduction to game
3. Information gathering instructions
4. Talley sheet
5. Game score sheet
6. Analysis sheet

LOCATION GAME MATERIALS PACKET

PLEASE DO NOT WRITE ON ANY MATERIALS!!!

ITEM NUMBER	GAME MATERIAL IN THIS PACKAGE
1.	Student Introduction to "Location Decisions Game" (Explains the purpose of the game and rules of how to play)
2.	Instructions for Information Gathering (How to get information and what you can expect to learn from each of the various sources of information)
3.	Business Profile (The most important document that you need to study It tells you everything you want the best location to have in order to score the highest number points in the game)
4.	List of Business Sites for Rent (Newspaper listings of available locations - rent, square feet of floor space, exact location, etc.)
5.	Map of Brentwood (Layout of the entire city area of Brentwood)
6.	Four - Chamber of Commerce Maps (Each of the four maps will tell something about the special characteristics of each of the major neighborhoods of Brentwood)
7.	Nine - Drive Past Location Maps (A map of each of the nine locations available for rent showing specific details about the nearby stores, parking facilities, types of people and housing in the area and other important details about your competition)

YOU WILL RECEIVE OTHER FORMS TO KEEP TRACK OF YOUR TIME UNITS AND TO COLLECT INFORMATION TO MAKE YOUR DECISION

YOU MAY ALSO WANT TO TAKE NOTES FROM THE INFORMATION SHEETS AS YOU STUDY THEM - PLEASE DO NOT WRITE ON ANY OF THE GAME MATERIALS SINCE THEY HAVE TO BE USED IN OTHER CLASSES - THANK YOU

PLEASE DO NOT WRITE ON ANY MATERIALS!!!

STUDENT INTRODUCTION TO "LOCATION DECISIONS"

In "Location Decisions", you will play a kind of game called a simulation. A simulation presents you with a situation that is very much like what you would find in the "real world", and requires you to make decisions that are also very much like those you would need to make in the "real world".

Simulation games have several advantages. They are fun to play, they help you put into practice what you have learned and they allow you to experiment with different strategies and decisions. Another advantage of this particular simulation is that if you make bad decisions, you won't suffer the consequences of real bankruptcy!

Starting a business involved a series of decisions: the kind of business to start, its timing, its financial and legal organization, its location and the initial set up of the business. It would be confusing to include all these decisions in a game, so here we will concentrate on one major decision: where should you locate your business? (You can assume that it is a good time to start a business and that you have already obtained financing before you start the game.) In general, the more careful your planning and the more thoughtful your location decisions, the better you will do in the game. Luck has very little to do with your success.

HOW THE GAME IS PLAYED

Roles of the Players: As a player you are the co-owner and co-manager of a small retail business, and the businesses are organized into partnerships of two or three members. Players may choose to start and run a pharmacy, a hardware store, or a convenience food store. Each set of partners receives a business profile telling what they will carry in their store, and what special requirements they will need in a location. Partners are encouraged to work together in making their decisions, but they may divide the work in any way they choose.

Goals of the Players: The goal of each set of partners is to make its business successful, measured in terms of sales prospects. Each partnership tries to achieve the highest "Sales Prospects" score it can. (The "sales Prospects" score is assigned mostly on the basis of the location selected for the business, but use of time units also contributes to the score.) There is one winner in "Location Decisions": the business which has the highest "Sales Prospects" score.

The Setting: The setting for the simulation is Brentwood, a neighborhood with its own business district. Within the Brentwood area are nine business sites for rent, from which the players must select a location for their businesses.

Sequence of Events: The players begin "Location Decisions" by receiving a business profile, which outlines for them the location requirements of their business. After receiving a list of business sites for rent, they use their time units to obtain information about the sites. When they have used up their time units, they decide on a first, second and third choice of location. The players then draw chance cards which determine whether they get their first, second or third choice. They then pay the rent and other costs associated with the locations they have chosen and purchase initial inventory.

Scoring the Game and Determining the Winners: At the end of "Location Decisions", players receive a "Sales Prospects" score based on the location they have selected and the number of time units they have used. They also subtract their initial expenditures from their total starting cash to find cash-on-hand. At this point in the game, the business with the highest "Sales Prospect" score is declared the winner.

Resources of the Players: Players have two resources - money and time. Each set of partners begins the game with $30,000 to invest in its business - $16,000 of their own money and a $14,000 bank loan. In "Location Decisions", money is spent on rent, renovations, insurance, advertising, fixtures and initial inventory. Each set of partners begins "Location Decisions" with 160 time units to use in gathering information needed to choose a location. The time units represent the time a businessperson would use in the real world to gather information needed to choose a location. Each unit represents fifteen minutes; thus, the 160 time units represent a forty hour week. There is no advantage in saving up your time units or using fewer of them.

Sources of Information: In addition to several kinds of record keeping sheets, payers start the game with three sources of information (no time units are used for these):

1. Their business profile
2. A list of business sites for rent
3. Street map of Brentwood

Players must use time units to obtain other kinds of information about the locations from the following sources:

1. Chamber of Commerce maps (set of four)
2. Drive past location maps (nine)
3. Information sheets

    a. personal inspection of building
    b. walking tour of neighborhood
    c. city planning office
    d. visit with former tenant
    e. visits with neighbors
    f. follow-up visits to location

This aspect of the game is explained in detail in the "Instructions for Information Gathering".

INSTRUCTIONS FOR INFORMATION GATHERING

A. Introduction

Each partnership will have 160 time units to spend in gathering information. You should use all of your time units; there is no advantage in saving them up or using fewer of them. Each unit corresponds to fifteen minutes, so all 160 of them represent a full forty hour week.

Beyond what you already know about the locations, there are eight other sources of information for each one. You must spend a certain number of time units to get information from each source. The following list tells us what the sources are and how many time units you must spend to get information from them:

Source of Information	Time Units
Chamber of Commerce maps	8
Drive past location	2
Information sheets:	
1. personal inspection of building	4
2. walking tour of neighborhood	4
3. city planning office	4
4. visit with former tenant	8
5. visits with neighbors	10
6. follow-up visits to location	10

B. Explanation

The Chamber of Commerce maps show crime rates, bus routes, age and family status of residents and average income of residents in different parts of Brentwood. The Chamber of Commerce maps may be kept.

The drive past location maps give the information you could get by driving past the location in your car. This information is in the form of a detailed map of the area around the store for rent. The drive past location maps may also be kept.

The rest of the information about the specific location is in the form of the following information sheets. An information sheet must be returned after it is used.

1. Personal Inspection of Building gives the facts you could discover by going inside the building and looking around.

2. Walking Tour of Neighborhood tells the things you could find out by walking around the area of the store.

3. Visit with Former Tenant gives the facts you could find out by visiting and talking to the last person to do business at the site.

4. Visits with Neighbors tells the things you could find out by talking to neighboring businesspersons, residents of the area and people on the street.

5. City Planning Office gives information about zoning and plans for urban renewal or construction in the area.

6. Follow-up Visits to Location gives information you could get by returning to the area several times to make observations.

Players will discover that some locations are in need of repairs - repainting, rewiring and so forth. In some cases, the owner of the building will make the repairs; in others, the tenant must make them. If you rent a building which you are required to repair, you will have to pay for the repairs.

In this game, it will cost:

1. $250 to repaint a building or for rewiring.
2. $100 to replaster
3. $250 for new flooring
4. $100 for new windows
5. $100 for extermination
6. $250 for extra plumbing
7. $500 for structural changes to a building

The amount you must pay for insurance will vary, depending on the crime rate in the area where you locate:

1. $200 if the crime rate is low
2. $300 if it is medium
3. $400 if it is high

ADMINISTRATOR'S TALLY SHEET

Type of Business _____

Partners' Names _____

Total Time Units Used _____

Locations Selected: _____ First Choice _____ Second Choice _____ Third Choice

Location #	1	2	3	4	5	6	7	8	9	Total
Set of Four Chamber of Commerce Maps 8 TIME UNITS										
Drive Past Location	2	2	2	2	2	2	2	2	2	
INFORMATION SHEETS:										
Personal Inspection of Building	4	4	4	4	4	4	4	4	4	
Walking Tour of Neighborhood	4	4	4	4	4	4	4	4	4	
City Planning Office	4	4	4	4	4	4	4	4	4	
Visit with Former Tenant	8	8	8	8	8	8	8	8	8	
Visits with Neighbors	10	10	10	10	10	10	10	10	10	
Repeated Visits to Location	10	10	10	10	10	10	10	10	10	

STARTING A BUSINESS

SCORE SHEET

Type of Business _____

Name of Business _____

Partners' Names _____

FINANCING

Personal Resources of Partners	$16,000	
Bank Loan	+ 14,000	
TOTAL STARTING CASH		$30,000

INITIAL COSTS

Rent and Security Deposit	
One month's rent = _____ x 2 =	_____
Special Renovation Costs	+ _____
Insurance	+ _____
Advertising (see chart below)	+ _____
Fixtures and Shop Layout	+ 5,000
Initial Inventory	+ 20,000
TOTAL INITIAL EXPENDITURES	_____
CASH ON HAND (at least $3,000)	_____

SALES PROSPECT SCORE

Source	Score
Location	_____ / 25-95
Advertising	_____ / 4-40
TOTAL SCORE	_____

Sales Prospects

ADVERTISING

Investment	Score
$0-49	4
$50-99	8
$100-149	12
$150-199	16
$200-249	20
$250-299	24
$300-349	28
$350-399	32
$400-449	36
$450-500	40

Total Score	Sales Prospects
150 and up	Super
135-149	Excellent
120-134	Very Good
105-119	Good
90-104	Fair
89 and below	Poor

BUSINESS TYPE _____ NO. _____ CENTER _____ AM _____ PM _____

CRITERIA ON BUSINESS PROFILE	LOCATIONS ANALYSIS								
	1	2	3	4	5	6	7	8	9
Rent Range									
Square Feet Required									
Competition									
Neighborhood Type									
Repairs									

NOTE: Carefully read your Business Profile and write in the remaining requirements for your types of business then analyze your sources of information and record your findings under each location

UNIT 5

GETTING MONEY TO START

GOAL: To help you plan how to get money to start your business.

OBJECTIVE 1: List four sources of money to start a small business.

1. Your own savings
2. Cash raised by selling or mortgaging your possessions
3. Gifts, loans or investments from family and friends
4. Banks, credit unions and finance companies
5. The U.S. Small Business Administration

OBJECTIVE 2: List three kinds of information you must give to your banker to apply for a business loan.

1. Personal information - Who you are
   Why should I give you money
2. Business description - What is your business all about
   (See Objective 3)
3. Financial information about your business -
   Can the loan be repaid

OBJECTIVE 3: List the five main sections of a business description.

1. Business products or services
2. Location, type and condition of building
3. Kind of competition - How are you different
4. Kind of customers
5. Specialness of your business
6. Target market and strategies

OBJECTIVE 4: State the purpose of a Statement of Financial Need and list its three parts

Definition - A formal application to a bank listing the money you want to borrow with three main parts as follows:

1. Expenses - One time start up expenses
   Estimated operating expenses
   (for first three months)
2. Money on hand now (and source of these funds)
3. Amount of loan required (difference between item two and item one)

UNIT 5

STUDY QUESTIONS

1. List four sources of money to start a business.

2. Describe and list details of the three kinds of information you may need to provide a banker when applying for a loan.

3. Explain and describe the five main sections of a good "business plan".

4. State the purpose and describe the three main sections of a Financial Need Statement.

5. What are the five C's of credit?

6. What can a Cash Flow Statement tell the small business owner.

7. Draw up a simple Personal Financial Statement.
   How much is your personal current net worth.

8. Compare the Personal Financial Statement with the small business balance sheet

9. Draw up a simulated Projected Income Statement for a possible future small business you may operate.

UNIT 5

CASE STUDY OR PLANNING EXERCISE

Fill out an Installment Loan Application, examine it now as if you were the bank lending officer. Would you give yourself the loan? Why?

UNIT 5 HANDOUTS

1. Unit 5 notes
2. Financial Need Statement
3. Cash Flow Statement
4. Personal Financial Statement
5. Business Balance Sheet
6. Projected Income Statement
7. Installment Loan Application (to use for exercise)
8. How to Get a Bank Loan - The Five C's of Credit

FINANCIAL NEED

1. ONE TIME START UP EXPENSES

Rental Deposit	$ 200	
Utilities Deposit	40	
Repairs and Renovations	1,800	
Equipment and Furniture	2,000	
Supplies	300	
Advertising	100	
Other - License, Insurance, etc.	450	$4,890

OPERATING EXPENSES (FIRST THREE MONTHS)

Salary - Part timer	$ 600	
Rent	900	
Utilities	150	
Supplies	150	
Advertising	150	
Other	300	+ 2,190

TOTAL FINANCIAL NEEDS = $7,080

2. MONEY ON HAND

Owners Cash on Hand	$2,500	
Loan from Relative	2,000	- $4,500

3. LOAN REQUIRED = $2,580

CASH FLOW STATEMENT

PROJECTED FOR NEXT THREE MONTHS

Cash Revenues	August	September	October
Cash on hand from previous month	$ 200	$ 150	$ 100
Revenues from hospital	4,100	4,200	4,300
Revenues from home care	4,000	4,100	4,200
Total Revenues	$8,300	$8,450	$8,600
Cash Payments			
Salaries to nurses	$7,000	$7,200	$7,500
*Other expenses + payments	1,150	1,150	1,150
Total Expenses	$8,150	$8,350	$8,650
Cash on hand at the end of month	$ 150	$ 100	$(-50)

*Includes rent, equipment and furniture, supplies, advertising and other expenses

PERSONAL FINANCIAL STATEMENT

FOR APPLICANT _____

Assets

I (we) own the following:

Cash (checking and savings accounts).....	$ _____
Money owed to me (us).....	$ _____
Notes.....	$ _____
Stocks and Bonds.....	$ _____
Home and other real estate.....	$ _____
Equipment and tools.....	$ _____
Automobiles.....	$ _____
Total Assets.....	$ _____

Liabilities

I (we) owe the following

Charge accounts and other bills payable.....	$ _____
Total payable on automobiles.....	$ _____
Real estate loans.....	$ _____
Other.....	$ _____
Total Liabilities.....	$ _____
My (Our) Net Worth..... (Total Assets Less Total Liabilities)	$ _____

WORKSHEET

BALANCE SHEET

Date _____

Assets

Current Assets

Cash $ _____

Accounts Receivable $ _____

Inventory $ _____

Total Current Assets $ _____

Fixed Assets

Property $ _____

Equipment $ _____

Total Fixed Assets $ _____

TOTAL ASSETS $ _____

Liabilities

Trade Debt $ _____

Bank Debt $ _____

Other Debt $ _____

Total Liabilities $ _____

Owners Equity $ _____

TOTAL LIABILITY
AND OWNER'S EQUITY $ _____

WORKSHEET

PROJECTED INCOME STATEMENT

DATE: From _____

To _____

	1st Month	2nd Month	1st Year
Sales	$		$
Costs of Goods Sold	$		$
Gross Profit (Sales Less Cost of Goods Sold)	$		$
Operating Expenses:			
Salaries & Wages (Excluding owner's withdrawals)			
Owner's Salary and Withdrawals			
Rent			
Advertising and Promotion			
Taxes and Licenses			
Insurance			
Depreciation			
Supplies			
Repairs and Maintenance			
Professional Services (Legal Accounting)			
Other Expenses			
TOTAL OPERATING EXPENSES	$		$
Net Profit Before Income Taxes and Loan Payment (Gross Profit Less Operating Expenses)	$		$

THE ABC NATIONAL BANK

Member Statewide Bancorp Member FDIC

The "Lendingest" Bank in Town!

INSTALLMENT LOAN APPLICATION

How Did You Hear About Us?
☐ Newspaper ☐ Radio ☐ Branch Signs ☐ Statement Insert

DATE OF APPLICATION | TERM MONTHS | AMOUNT | ☐ APPLICANT ONLY ☐ APPLICANT AND CO-APPLICANT

PURPOSE

A — APPLICANT

FIRST | M | LAST | DATE OF BIRTH | SOCIAL SECURITY NUMBER

HOME ADDRESS — NO. STREET | COUNTY | APT. NO. | HOME TELEPHONE NO.

CITY | STATE | ZIP | HOW LONG | NO. OF DEP. | AGES

PREVIOUS HOME ADDRESS (LAST 5 YEARS) | HOW LONG

EMPLOYER NAME | TELEPHONE NO. | HOW LONG

ADDRESS | STATE | ZIP | MONTHLY INCOME | POSITION

NAME AND ADDRESS OF PREVIOUS EMPLOYER | POSITION | HOW LONG

OTHER INCOME (GIVE SOURCE) ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT WISH TO HAVE IT CONSIDERED AS A BASIS FOR REPAYING THIS OBLIGATION. ALIMONY, CHILD SUPPORT, SEPARATE MAINTENANCE RECEIVED UNDER
$ ☐ COURT ORDER ☐ WRITTEN AGREEMENT ☐ ORAL UNDERSTANDING

B — CO-APPLICANT

FIRST | M | LAST | DATE OF BIRTH | SOCIAL SECURITY NUMBER

HOME ADDRESS — NO. STREET | COUNTY | APT. NO. | HOME TELEPHONE NO.

CITY | STATE | ZIP | HOW LONG | NO. OF DEP. | AGES

PREVIOUS HOME ADDRESS (LAST 5 YEARS) | HOW LONG

EMPLOYER NAME | TELEPHONE NO. | HOW LONG

ADDRESS | STATE | ZIP | MONTHLY INCOME | POSITION

NAME AND ADDRESS OF PREVIOUS EMPLOYER | POSITION | HOW LONG

OTHER INCOME (GIVE SOURCE) ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT WISH TO HAVE IT CONSIDERED AS A BASIS FOR REPAYING THIS OBLIGATION. ALIMONY, CHILD SUPPORT, SEPARATE MAINTENANCE RECEIVED UNDER
$ ☐ COURT ORDER ☐ WRITTEN AGREEMENT ☐ ORAL UNDERSTANDING

C — CREDIT DATA

☐ Own Home ☐ Rent | NAME AND ADDRESS OF MORTGAGE HOLDER OR LANDLORD | RENT OR MTGE. PAYMENT

ORIGINAL AMOUNT OF MORTGAGE | DATE | PRESENT BALANCE | PRESENT VALUE

NAME AND ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU | RELATIONSHIP

BANK ACCOUNTS — NAME OF BANK & BRANCH — ACCT. NO.

CHECKING 1

SAVINGS 2

AUTOMOBILE — MAKE — MODEL — YEAR — FINANCED?

1 YES ☐ NO ☐

2 YES ☐ NO ☐

LIST ALL DEBTS YOU MAY HAVE IN ANY NAME

Include bank, finance company, credit card, store charge and personal debts, also court judgements. Attach additional sheet if necessary, if none state "None."

NAME OF CREDITOR	ADDRESS	IN WHAT NAME	ACCT. NUMBER	UNPAID BALANCE	MONTHLY PAYMENT
1					
2					
3					
4					

5. DOES APPLICANT/CO-APPLICANT OWE OTHER CREDITORS ☐ YES ☐ NO IF YES, WHAT IS THE TOTAL BALANCE OWED? $

6. DOES APPLICANT/CO-APPLICANT MAKE ALIMONY, CHILD SUPPORT OR MAINTENANCE PAYMENTS? ☐ YES ☐ NO IF YES, HOW MUCH PER MONTH? $

7. HAVE YOU HAD IN THE LAST 5/0 YEARS ANY SUITS, JUDGEMENTS, BANKRUPTCY OR OTHER LEGAL PROCEEDURES AGAINST YOU? ☐ YES ☐ NO CO-APPLICANT ☐ YES ☐ NO

READ AND SIGN

The following information is requested by the Federal Government if this loan is related to a dwelling, in order to monitor the lender's compliance with equal credit opportunity and fair housing laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this lender is required to note race, national origin and sex on the basis of visual observation or surname. If you do not wish to furnish the above information, please initial below.

APPLICANT: I do not wish to furnish this information (initials) _____

RACE ☐ American Indian, Alaskan Native ☐ Asian, Pacific Islander
NATIONAL ORIGIN ☐ Black ☐ Hispanic ☐ White ☐ Other (specify) _____
SEX ☐ Female ☐ Male
MARITAL STATUS ☐ married ☐ unmarried ☐ separated

CO-APPLICANT: I do not wish to furnish this information (initials) _____

RACE ☐ American Indian, Alaskan Native ☐ Asian, Pacific Islander
NATIONAL ORIGIN ☐ Black ☐ Hispanic ☐ White ☐ Other (specify) _____
SEX ☐ Female ☐ Male
MARITAL STATUS ☐ married ☐ unmarried ☐ separated

IF CREDIT IS DENIED, YOU HAVE THE RIGHT TO MAKE A WRITTEN REQUEST TO THIS BANK FOR AND TO RECEIVE A STATEMENT OF THE SPECIFIC REASONS FOR REJECTION OF THIS APPLICATION.

For the purpose of obtaining credit from The ABC National Bank of Sometown, N.J. the applicant(s) hereby warrants and affirms that each of the answers given to the foregoing questions is true and correct. The applicant(s) expressly authorizes the Bank to make inquiries of others, including any credit reporting agency, concerning the foregoing information and to provide information arising out of applicant's transactions with the Bank to others. Any person or entity named herein is expressly authorized to furnish the Bank with information in connection with this application.

APPLICANT'S SIGNATURE | CO-APPLICANT'S SIGNATURE

BANK USE

— FOR BANK USE ONLY —

ORIGINATING BRANCH | APPLICATION REVIEWED BY | ☐ IN PERSON ☐ BY PHONE ☐ BY MAIL | FOLLOW UP COMMENTS

TYPE OF LOAN

PERSONAL	AUTO	P.L.	OTHER — DESCRIBE

DECISION

APPR'D AMOUNT	BY	DATE

HOW TO GET A BANK LOAN

"THE FIVE C'S OF CREDIT

1. CHARACTER - The borrower's willingness to repay
2. CAPITAL - The amount the principals have invested in the business
3. CAPACITY - The ability to repay the loan
4. CONDITIONS - Local, national, international and industry conditions that affect the business
5. COLLATERAL - The strong secondary sources of repayment

*WHY IS MONEY SO HARD TO GET?

1. Start ups are untested and have limited ability to attract funds given the obvious risks.
2. Start-ups have little capacity to survive debt and even less to offer in terms of assets for security.
3. Many venture capitalists do not want to invest in ideas. They want something more concrete. (Exceptions are for entrepreneurs who have started four of five businesses before.)
4. Few if any hard assets to liquidate if the company fails.
5. Rapidly changing technology - thin line between innovation and obsolescence.
6. Hard to sell product with too few consumers who can distinguish between a good product and a better one.
7. Low product development costs that create an "easy access" industry where start-ups, developing companies and industry giants are all competing for market segments, spelling potential instability.

*SOURCE: Nation's Business, October, 1984, "Hunting for the Bucks", Mary-Margaret Wantuck

UNIT 6

BEING IN CHARGE

GOAL: To help you become a "good" boss in your small business.

OBJECTIVE 1: List five steps you would take in hiring a new worker.

1. List the tasks that must be done (job description - written)
2. Decide what experience the worker should have (abilities, skills, education, training, etc.)
3. Advertise the job (talk to current employees, friends, relatives)
4. Read completed job applications (screen for 1 and 2 above)
5. Interview the best candidates (review with applicant the information about the job and about the applicant)
6. Call former employers and/or references (to verify information in application and obtained during the interview)

OBJECTIVE 2: List three steps you should take in organizing your employee's work

1. Decide on the tasks your employees will do (job description)
2. Hire good workers
3. Explain the job clearly
4. Give the worker responsibility and authority to do the job

OBJECTIVE 3: Describe several ways of keeping your workers happy.

1. Communicate with your workers
   a. Tell them what you expect - their duties and responsibilities
   b. Tell them what you will do for them - pay, benefits
   c. Train them in their jobs and listen to their ideas
2. Understand your workers needs
   a. It's not just a paycheck to them - it is a big part of their life
   b. They need job security and recognition, a clean and healthy work place and fair treatment
3. Recognize and handle problems quickly and carefully
   a. On the job and off the job problems could have the same result for you - poor performance
   b. A sympathetic ear may be all that is needed - be a good listener
   c. By all means do everything you can to solve "real" workplace problems.

UNIT 6

STUDY QUESTIONS

1. What are the seven major activities an owner would perform in order to hire new employees.

2. List three steps you would take to organize the work in your business.

3. Do you believe it would be your obligation to keep your workers happy? Why? Why not?

4. What kinds of things could you do to keep your workers happy.

5. What are the five main functions of a manager or boss. Describe each function and the role you would take in your own small business.

6. What are the three main features of the "One Minute Manager" as outlined by Blanchard and Johnson.

UNIT 6

CASE STUDY OR PLANNING EXERCISES

(To Be Done at the Beginning of Class)

Determine how much it would "cost" to hire one new employee for $3.65 per hour and $8.00 per hour.

If you owned the business what would be your total amount of expenses to keep the employee on the payroll, forty hours per week, fifty-two weeks per year. Have you added in all "other costs"?

This helps to understand how very important and expensive it is to make sure you hire the right person who will be productive and add to your profits.

UNIT 7

ORGANIZING THE WORK

GOAL: To help you organize the daily work of your business.

OBJECTIVE 1: List three main steps in doing the work of a small business.

1. Organizing the work: What has to be done?
   When must it be completed?
   Who will do it?

2. Doing the work: Assign the work to someone
   Be careful of the new owner's tendency to do everything

3. Checking the work: Was it done?
   On time? Correctly?
   Verify the quantity
   Verify the quality
   Verify the time used

OBJECTIVE 2: Describe the purpose of the WORK ORDER and the WORK SCHEDULE.

Organizing the work depends on the kind of business your in.

Retail - Organization is around the product.

Service - Organization is around the service the customer wants.

WORK ORDER: Used to record the customers wishes.
What does the customer want - customer and order takers verify by signature after examining the work order and then this is used as an assignment tool for the worker who will perform the job as written

WORK SCHEDULE: Used to maintain employee productivity.
A daily or weekly job list that describes which jobs will be assigned to each employee and in which order of priority.

UNIT 7

STUDY QUESTIONS

1. What are the three main steps of organizing the tasks or work of a small business?

2. What activities would be included in deciding the work to be done?

3. How do you go about getting the work done?

4. What is involved in checking the work?

5. What is the main purpose of the Work Order?
   What else could it be used for?

6. What is the main purpose of the Work Schedule?
   When would you prepare it?
   Why?

UNIT 7

CASE STUDY OR PLANNING EXERCISE

Using the handouts as a sample, prepare a Work Order and a Work Schedule for your vocational trade area.

WORK ORDER

FROM: Golden Dawn Landscaping Service
12380 Magnolia Avenue
Greenville North Carolina

DATE: September 12
WORK ORDER NUMBER: 102
ORDER TAKEN BY: Mary Crow

WORK FOR: Mrs. Robert Kelly
700 Seven Hills Drive
Greenville, NC
Phone: 965-8173

START WORK ON: September 16
FINISH WORK ON: September 23

Person Doing Work	Estimated Time Needed	Description of Work
Tony	3 days	Building the patio (gravel and concrete, redwood siding, latticework)
Sam & Pierre	1 day	Planting around the house (azeleas, star jasimine, camellias)
Sam & Pierre	2 days	Redoing the front lawn (ripping out old lawn, leveling, putting in new sod) (For detailed plans, see Contract #102)

WORK STARTED ON: September 16
WORK FINISHED ON: September 23
WORK INSPECTED BY: Bob Schulz
Customer's Signature Kathleen A. Kelly

TOTAL MATERIALS	786:00
TOTAL LABOR	900:00
TAX (5% on materials only)	39:30
TOTAL COST	$1,725:00

WORK SCHEDULE

Date Tuesday, September 16

Employee	Description of Job	Estimated Dates
Bob	① START BUILDING KELLY'S PATIO (#102) ② PREPARE ESTIMATE FOR WATKIN'S JOB	SEPTEMBER 16
TONY	BUILD KELLY'S PATIO, JOB #102	SEPTEMBER 16-18
PIERRE	CONTINUE REDOING OAKWOOD LAWN JOB #101	SEPTEMBER 12-18
SAM	CONTINUE REDOING OAKWOOD LAWN JOB #101	SEPTEMBER 12-18

UNIT 8

BUYING AND KEEPING TRACK OF GOODS AND SUPPLIES

GOAL: To help you buy and keep track of goods and supplies in your business.

OBJECTIVE 1: List four decisions you must make when buying goods for your business.

What to Buy: What do customers want, what products will help you perform your service best.

Where to Buy: Decide which supplier is best (see Objective 2 below).

When to Buy: Allow adequate delivery time to meet seasonal demand usually several weeks or months before your need.

How Much to Buy: A delicate balancing act between having too much or too little on hand - supply and demand - cash flow.

OBJECTIVE 2: List several things you should think about when choosing suppliers.

1. Quality of their goods.
2. Prices of their goods - bulk discounts and early payment discount
3. Other services - can they fill your order quickly and accurately, available credit, range of products and supplies

NOTE: ALL EGGS IN ONE BASKET???

OBJECTIVE 3: State the purpose of the Purchase Order and the Inventory Card

Purchase Order: Use to order goods for your business.

Shows:
1. Name and address of supplier
2. Your "ship to" address and how to be shipped
3. Purchase order number and date called in
4. Date you need goods
5. Quantity, units and description of goods
6. Cost of each unit plus total cost of order

Inventory Card: Used to keep a record of goods received, goods sold, amount remaining and reorder point and quantity, source of supply

Shows:
1. Item description
2. Supplier, reorder point, reorder amount
3. Amount and date received
4. Amount and date sold
5. Amount remaining

UNIT 8

STUDY QUESTIONS

1. List the four decisions you must make when buying goods and supplies for your business.

2. What should you be concerned about when selecting a supplier?

3. What is the main purpose of the Purchase Order?
   What else can it tell you?
   How else would you use this form?

4. What is the main purpose of the Inventory Card?
   What else can it tell you?
   How else would you use this form?

5. What is an invoice and how is it related to your purchase order?

6. What methods could you use to control inventory?

7. What procedures may be necessary to control shoplifting and employee theft?

8. What would you do if you discovered money missing from your cash register?

Class Exercise - Open discussion of Study Questions of Units seven and eight

INVENTORY CARD

Item Plant Food

Supplier Hothouse Suppliers

Reorder Point 50 Reorder Amount 200

AMOUNT RECEIVED		AMOUNT SOLD		AMOUNT REMAINING	
Date	Amount	Date	Amount	Date	Amount
3/1	200	3/3	25	3/3	175
		3/4	25	3/4	150

PURCHASE ORDER

TO Sunshine Foods
Oaktree Lane
Kalamazoo, Michigan

DATE October 23

PURCHASE ORDER NUMBER 01354

REQUIRED DELIVERY DATE March 10

SHIP TO Thayer and Son Hardware
201 Westlake Avenue
Angus, Ohio

SHIP VIA Truck

Quantity	Unit	Description	Unit Cost	Total Cost
200	packets	Assorted vegetable seeds	$ 0.15	$ 30.00
30	flats	Assorted vegetable plants	5.00	150.00
30	flats	Assorted flowers	6.00	180.00
			TOTAL	$360.00

Signature Mike Thayer

UNIT 9

SETTING PRICES

GOAL: To help you decide how to set prices for your products or services.

OBJECTIVE 1: List five things to think about in setting prices.

1. Cost of goods sold (your cost)
2. Operating expenses - overhead plus other direct and indirect costs
3. Profit (see Objective 2 below)
4. Customer demand for your product or service at that price
5. Competition - How different is price? Why?

OBJECTIVE 2: In one sentence, state a basic guideline for setting prices.

CHARGE ENOUGH TO MAKE A PROFIT BUT LOW ENOUGH THAT PEOPLE WILL BUY!!

Profit - is the owner's reward for the willingness and ability to:

1. Make the investment of money and energy
2. Working long hours
3. Taking the risk

METHOD FOR SERVICE JOB PRICING

1.	Material Cost (Cost for materials plus shipping and handling)	$20.00	X 10%	=	$2.00
2.	Direct Labor Cost	$10.00	X 30%	=	$3.00
3.	Overhead Cost*	$20.00	X 30%	=	$6.00
	Total Cost	$50.00	Plus Profit $11.00	=	$61.00

*To calculate job overhead cost

Total annual overhead cost divided by total direct annual labor cost times the individual job labor cost

$100,000/50,000 X $10.00 = $20.00

Or use a factor of 2 times each labor dollar to determine an overhead amount to be charged to a particular customer for one service job. This is another way of saying that the total annual cost for insurance, office expenses, advertising, stamps, etc., will be spread out to each customer. Check with other owners in your trade area to find out what estimating methods are in use for pricing out jobs.

UNIT 9

STUDY QUESTIONS

1. What are the three main factors that are part of the Pie Chart when setting prices for your products or services?

2. What are the remaining two factors and how would they influence your pricing decisions?

3. If your pricing technique is very accurate, what conclusion may you be forced to arrive at if customers won't buy at that price?

4. State the basic guideline to use for setting prices

5. What does the entrepreneur do to "earn" the reward of profits?

UNIT 9

CASE STUDY OR PLANNING EXERCISE

1. Work through the sample service business method for determining the price for the customer.

2. Complete the Entrepreneur's Quiz. Answer all twenty-six questions. Score the results. Then review the analysis of each question and why a particular answer would score more points. (This quiz compares your responses with other successful entrepreneurs.)

UNIT 9

SETTING PRICES

Must also consider

4 - Customer Demand

5 - Competition

Rule of Thumb

*Charge enough to make a profit
But low enough so people will buy!

COSTING AND PRICING FOR A SERVICE BUSINESS (See SBA 1.020)

	Costs		*% Profit		
1.	Material Cost	$20.00	10%	$2.00	
2.	Labor Cost	$10.00	30%	$2.00	
3.	Overhead Cost	$20.00	30%	$6.00	
	Selling Price	$50.00	+	$11.00	= $61.00

***PROFIT: THE OWNER'S REWARD**

1. Making the investment of cash and energy
2. Working long hours
3. Taking the risk

ABC REPAIR COMPANY

PROJECTED OVERHEAD EXPENSES FOR THE UPCOMING YEAR

Indirect Materials		
Office Expenses	$ 1,800	
Postage	450	
Repairs	2,900	
Shop Supplies	2,700	
Utilities	2,400	
Telephone	4,400	
		$14,650
Indirect Labor		
Executive Salaries	$30,000	
Office Salaries	7,000	
Payroll Taxes	12,000	
Travel and Entertainment	700	
		$49,700
Other Indirect Costs		
Accounting	$ 2,400	
Advertising	4,800	
Transportation	5,400	
Depreciation	9,650	
Insurance	1,240	
Interest	2,560	
Licenses	650	
Miscellaneous Expenses	500	
Rent	8,450	
		$36,650
TOTAL OVERHEAD EXPENSES		$100,000

Total Direct Labor Hours - 14,560 hours

Seven full time employees at 2,080 hours per year (40 hours per week x 52 weeks)

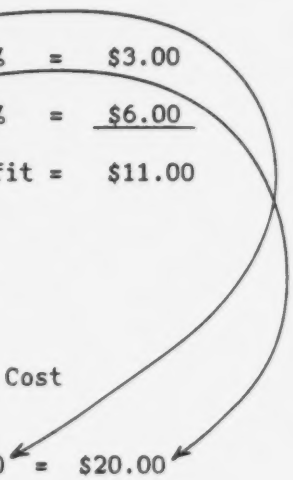
14,560 hours x $3.43 (average labor hour cost)

Total Direct Labor Cost $50,000

METHODS TO USE TO DETERMINE OVERHEAD COSTS

FOR EACH SERVICE JOB

1.	Material Cost (cost for materials plus shipping and handling	$20.00	X	10%	=	$2.00
2.	Direct Labor Cost	$10.00	X	30%	=	$3.00
3.	Overhead Cost*	$20.00	X	30%	=	$6.00
	Total Cost	$50.00	plus profit		=	$11.00
	Total Selling Price	$ 61.00				



*METHOD A: To calculate job overhead cost

$$\frac{\text{Total Annual Overhead Cost}}{\text{Total Direct Labor Cost}} \quad X \quad \text{Job Labor Cost}$$

$$\frac{\$100,000}{\$50,000} = (2) \quad X \quad \$10.00 = \$20.00$$

---

*METHOD B: To calculate job overhead cost

$$\frac{\text{Total Overhead Cost}}{\text{Total Direct Labor Hours}} \quad X \quad \text{Job Labor Hours}$$

$$\frac{\$100,000}{14,560} = 6.87 \quad X \quad 44 = \$302.00$$

1.	Material Cost	$50.00	X	10%	=	$ 5.00
2.	Labor Cost (44 Hrs)	$300.00	X	30%	=	$91.00
3.	Overhead Cost (44 x $6.87)	$302.00	X	30%	=	$91.00
	TOTAL COST	$652.00	plus profit		=	$186.00
	TOTAL SELLING PRICE	$838.00				

THE ENTREPRENEUR'S QUIZ

Who are these people called Entrepreneurs? Why do they seem more at home in a swivel chair than in an easy chair? What makes them lay their talent and skill on the line, not once, but over and over again? Why can't they just get a job? What's with them anyway?

Are they really smarter than the rest of us? Do they know something we don't? or are they just crazy? Or maybe it's a combination of the three.

This entrepreneurial profile was developed from a series of questionnaire and analyses performed by The Center for Entrepreneurial Management, Inc. Founded in 1978, the Center is the world's largest non-profit association of entrepreneurial managers, with over 2,500 members. CEM is headquartered in New York City, with offices in Houston and Santa Clara, California.

CHECK YOUR OWN PROFILE!!! **AFTER COMPLETING THE QUIZ, TURN TO LAST PAGE FOR SCORING RESULTS**

Quiz

1. How were your parents employed?

   a. Both worked and were self-employed for most of their working lives.
   b. Both worked and were self-employed for some part of their working lives.
   c. One parent was self-employed for most of his or her working life.
   d. One parent was self-employed at some point in his or her working life.
   e. Neither parent was ever self-employed.

2. Have you ever been fired from a job?

   a. Yes, more than once.
   b. Yes, once.
   c. No.

3. Are you an immigrant, or were your parents or grandparents immigrants?

   a. I was born outside of the United States.
   b. One or both of my parents were born outside of the United States.
   c. At least one of my grandparents was born outside of the United States.
   d. Does not apply.

4. Your work career has been

   a. Primarily in small business (under 100 employees).
   b. Primarily in medium-sized business (100 to 500 employees).
   c. Primarily in big business (over 500 employees).

c1

5. Did you operate any businesses before your were twenty?

   a. Many.
   b. A few.
   c. None.

6. What is your present age?

   a. 21-30.
   b. 31-40.
   c. 41-50.
   d. 51 or over.

7. You are the _____ child in the family.

   a. Oldest.
   b. Middle.
   c. Youngest.
   d. Other.

8. You are

   a. Married.
   b. Divorced.
   c. Single.

9. Your highest level of formal education is

   a. Some high school.
   b. High school diploma.
   c. Bachelor's degree.
   d. Master's degree.
   e. Doctor's degree.

10. What is your primary motivation in starting a business?

   a. To make money.
   b. I don't like working for someone else.
   c. To be famous.
   d. As an outlet for excess energy.

11. Your relationship to the parent who provided most of the family's income was

   a. Strained.
   b. Comfortable.
   c. Competitive.
   d. Non-existent.

12. If you could choose between working hard and working smart, you would

   a. Work hard.
   b. Work smart.
   c. Both.

13. On whom do you rely for critical management advice?

    a. Internal management teams.
    b. External management professionals.
    c. External financial professionals.
    d. No one except myself.

14. If you were at the racetrack, which of these would you bet on?

    a. The daily double - a chance to make a killing.
    b. A 10-to-1 shot.
    c. A 3-to-1 shot.
    d. The 2-to-1 favorite.

15. The only ingredient that is both necessary and sufficient for starting a business is

    a. Money.
    b. Customers.
    c. An idea or product.
    d. Motivation and hard work.

16. If you were an advanced tennis player and had a chance to play a top pro like Jimmy Connors, you would

    a. Turn it down because he could easily beat you.
    b. Accept the challenge, but not bet any money on it.
    c. Bet a week's pay that you would win.
    d. Get odds, bet a fortune, and try for an upset.

17. You tend to "fall in love" too quickly with

    a. New product ideas.
    b. New employees.
    c. New manufacturing ideas.
    d. New financial plans.
    e. All of the above.

18. Which of the following personality types is best suited to be your right-hand person

    a. Bright and energetic.
    b. Bright and lazy.
    c. Dumb and energetic.

19. You accomplish tasks better because

    a. You are always on time.
    b. You are super-organized.
    c. You keep good records.

20. You hate to discuss

a. Problems involving employees.
b. Signing expense accounts.
c. New management practices.
d. The future of the business.

21. Given a choice, you would prefer

a. Rolling dice with a 1-in-3 chance of winning.
b. Working on a problem with a 1-in-3 chance of solving it in the allocated time.

22. If you could choose between the following competitive professions, it would be

a. Professional golf.
b. Sales
c. Personnel counseling.
d. Teaching.

23. If you had to choose between working with a partner who is a close friend, and working with a stranger who is an expert in your field, you would choose

a. The close friend.
b. The expert.

24. You enjoy being with people

a. When you have something meaningful to do.
b. When you can do something new and different.
c. Even when you have nothing planned.

25. In business situations that demand action, clarifying who is in charge will help produce results.

a. Agree.
b. Agree, with reservations.
c. Disagree.

26. In playing a competitive game, you are concerned with

a. How well you play.
b. Winning or losing.
c. Both of the above.
d. Neither of the above.

SCORING

1) a=10
b=5
c=5
d=2
e=0

2) a=10
b=7
c=0

3) a=5
b=4
c=3
d=0

4) a=10
b=5
c=0

5) a=10
b=7
c=0

6) a=8
b=10
c=5
d=2

7) a=15
b=2
c=0
d=0

8) a=10
b=2
c=2

9) a=2
b=3
c=10
d=8
e=4

10) a=0
b=15
c=0
d=0

11) a=10
b=5
c=10
d=5

12) a=0
b=5
c=10

13) a=0
b=10
c=0
d=5

14) a=0
b=2
c=10
d=3

15) a=0
b=10
c=0
d=0

16) a=0
b=10
c=3
d=0

17) a=5
b=5
c=5
d=5
e=15

18) a=2
b=10
c=0

19) a=5
b=15
c=5

20) a=8
b=10
c=0
d=0

21) a=0
b=15

22) a=3
b=10
c=0
d=0

23) a=0
b=10

24) a=3
b=3
c=10

25) a=10
b=2
c=0

26) a=8
b=10
c=15
d=0

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ENTREPRENEUR PROFILE

235-285	Successful
200-234	Entrepreneur
185-199	Latent
170-184	Potential
155-169	Borderline
Below 154	Hired Hand

THE CENTER FOR ENTREPRENEURIAL MANAGEMENT, INC.
83 Spring Street, New York, New York 10012
(212) 925-7304

UNIT 10

ADVERTISING AND SELLING

GOAL: To help you advertise and sell your products and services

OBJECTIVE 1: List six things to think about when planning your advertising.

1. Who are your customers and where do they live?
2. How much will you spend on advertising? Why?
3. How will you advertise? What is the best media you can use?
4. When and how often will you advertise?
5. Why are you advertising?
6. What do you want to say?

OBJECTIVE 2: Give several reasons why people buy.

To satisfy basic needs: Food, shelter, clothing - Survival requirements

To satisfy a variety of wants: Comfort, convenience, prestige, economy, security, ego

OBJECTIVE 3: List the five steps of good selling.

1. Greet the customer: "Hello, how are you today?" "My name is _____"
2. Ask the customer questions to discover needs and wants: "How can I be of service to you today?" Then proceed with questions that draw the customer out to discover exactly what they want. Try never to ask any questions where the customer can say "yes" or "no". Get them talking and listen - listen - listen. It is easier to sell what they want to buy rather than what you want to sell!!
3. Present the product/service that will satisfy those needs and wants: "Let me show you our _____ and tell you about its benefits for you."
4. Respond to customer questions and objections - customer's reasons for saying no to the sale. Restate the question or objections: "If I understand you correctly, you...is that correct?" Then satisfy the question or objection. (Sell the benefits to the customer.)
5. Close the sale: Ask for the order. Ask for the order at least once. Try the forced choice closes below, but here you need a definite yes or no - a maybe earns you nothing.

   "Will you take this with you today or do you want us to deliver it?"

   "Will this purchase be for cash or do you want to use your credit card?"

   "We can start work for you on Tuesday or would Thursday be better for you?"

UNIT 10

STUDY QUESTIONS

1. What are the only two reasons people can give for buying any product or service?

2. Can you think of anything you purchased in the last six months that would be considered a "basic need" purchase that specifically satisfies a survival requirement of food, shelter or clothing?

3. List the five steps of "good selling" and explain what you would do or say at each step.

4. Give three examples of a forced choice close.

5. What unique or interesting ways can you think of to establish rapport with a customer?

6. What are your six main concerns when developing your advertising?

7. If you had a small repair service business, what would you choose as the best advertising media to reach your potential customers? Why?

UNIT 10

CASE STUDY OR PLANNING EXERCISE

1. Design an ad for your vocational program to place in a local newspaper. Be sure to provide for the following:

    a. the headline
    b. illustration
    c. copy
    d. identification
    e. layout

2. Prepare a "script" you could use to "sell" your vocational program to a new prospective student. Be sure to provide for the following:

    a. the greeting
    b. ask the customer questions
    c. present the product
    d. handle objections
    e. close the "sale"

UNIT 11

KEEPING FINANCIAL RECORDS (REVENUES)

GOAL: To help you keep track of money coming into your business.

OBJECTIVE 1: List four reasons why a small business owner should keep financial records.

1. To keep track of revenues - money coming into the business
2. To keep track of expenses - money going out of the business
3. To help you write business reports for taxes, banks and profit and loss statements.
4. To help you make important business decisions.

OBJECTIVE 2: State the purpose of the Sales Slip.

1. To record cash received from customers.
2. To record how much was bought on credit.
3. Owner and customer have a record of each sale.

OBJECTIVE 3: State the purpose of the Customer Account Form and the Customer Billing Form.

Customer Account Form: To record credit extended to a customer, payments received from the customer and the current balance owed to you.

Customer Billing Form: Mailed to credit customers. It is a summary of all charges and payments, description of goods purchased, date of sale, billing date and due date.

YOU, THE SMALL BUSINESS OWNER, MUST DECIDE WHAT RECORDS YOU WILL KEEP, WHY YOU WILL KEEP THEM, WHO WILL PREPARE THEM AND WHEN THEY WILL BE PREPARED.

UNIT 11

STUDY QUESTIONS

1. Identify four important reasons to keep financial records for your small business.

2. What is the main purpose of the sales slip?
   What are some other uses of the sales slip?

3. What is the main purpose of the customer account form?
   What are some other uses of the customer account form?

4. What is the main purpose of the customer billing form?
   What are some other uses of the customer billing form?

5. What are the three most important records you must have for your small business?

UNIT 11

CASE STUDY OR PLANNING EXERCISE

Review the "Small Business Financial Status Checklist" and for each item indicate how or why this information would be necessary or useful to your successful business operation.

UNIT 11 HANDOUTS

1. Unit 11 Goods and Objectives
2. The Sales Slip
3. Customer Account Form and Billing Form
4. Requirements of a Good System - Minimum Records Required
5. Small Business Financial Status Checklist

THE SALES SLIP (OBJECTIVE 2)

1. Used to record cash received from customers.

2. Used to record amount bought on credit.

3. Owner and customer have a record of each sale

SALES SLIP

Date MAY 1, 1989

Customer MIKE NELSON

Description of Sale		Price
2 GOODSTONE TIRES (ER 78x14)		
@ $35.00 EACH		70.00
Cash ☑	Subtotal	70.00
	6% Sales Tax	3.50
Charge ☐	Total	$73.50

CUSTOMER ACCOUNT FORM (OBJECTIVE 3)

1. Used to record credit extended to a customer.

2. Payments received from customers.

3. Current balance owed to you - accounts receivable - one of your assets.

CUSTOMER ACCOUNT FORM

Customer Jackie Groggin
Address 231 Main Street, Newmarket, Iowa

Date	Description of Sale	Amount Charged	Payment Received	Balance Due
May 1	2 Firebird tires (FR78x14) at $50.00 each (+tax)	$105.00	---	$105.00
May 15	2 Firebird tires (FR78x14) at $50.00 each (+tax)	$105.00	$50.00	$160.00

CUSTOMER BILLING FORM (OBJECTIVE 3)

1. Used for collecting your accounts receivable records:

   Date of sale, billing date and due date
   Summary of all charges and payments.
   Description of goods purchased.

2. Used for mailing to your credit customers.

CUSTOMER BILLING FORM

Customer Jackie Groggin
Address 231 Main Street, Newmarket, Iowa
Payment Due Date July 1

Billing Date	Description of Sale	Amount Charged	Payment Received	Balance Due
May 26	4 tires	$210.00	$50.00	$160.00

REQUIREMENTS OF A GOOD RECORD SYSTEM

1. Simple to use
2. Easy to understand
3. Reliable
4. Accurate
5. Consistent
6. Provides information on a timely basis

Record Keeping Is Really a Method of Keeping Score
Which is Vital to Your Success and Profits

MINIMUM RECORDS REQUIRED

1. Sales Records - cash and credit
2. Cash Records - all receipts and deposits
3. Cash Disbursements - checking account
   always pay by check
   petty cash fund ($25.00)
4. Accounts Receivable

SMALL BUSINESS FINANCIAL STATUS CHECKLIST

WHAT AN OWNER SHOULD KNOW

A. DAILY

1. Cash on hand
2. Bank balance (business and personal funds separate)

B. WEEKLY

1. Accounts receivable (30-60-90 day past due accounts)
2. Accounts payable (use discounts by paying early)
3. Payroll records
   a. name and address
   b. social security number
   c. number of exemptions (W4)
   d. pay period - start and ending dates
   e. hours worked
   f. rate of pay
   g. total wages
   h. deductions
   i. net pay
   j. check number issued
4. Taxes and reports to state and federal government (sales, withholding and social security)

C. MONTHLY

1. Profit and loss statement
2. Balance sheets
3. Checkbook/Bank reconciliation
4. Petty cash balance
5. Inventory control analysis

UNIT 12

KEEPING FINANCIAL RECORDS (EXPENSES)

GOAL: To help you keep track of money going out of your business.

OBJECTIVE 1: List the two parts of a checkbook and the purpose of each.

1. The Check - Used to pay the expenses of the business.
2. The Check Stub or Register - Used to record deposits and payments.
   Shows your current bank balance.

OBJECTIVE 2: List two types of business revenues and three common business expenses.

REVENUES	EXPENSES
Cash Sales	Salaries
	Utilities
Credit Sales	Supplies
	Advertising
Other Income	Insurance
	Rent

OBJECTIVE 3: State the purpose of the Daily Cash Sheet.

To list all of the money coming into and going out of your business.

Easier to find errors if you "balance out" each day.
Earlier warning if you are getting into a "cash flow" problem.
May uncover employee theft from cash drawer.

UNIT 12

STUDY QUESTIONS

1. List the two parts of a checkbook, the purpose of each and other uses.

2. List the main sources of business revenues.

3. What are five common operating expenses for a small business?

4. What is the main purpose of the Daily Cash Sheet? How else may it be used?

UNIT 12

CASE STUDY OR PLANNING EXERCISE

From the data provided in the bank statement and checkbook register, prepare a reconciliation statement. Does it balance? If not, where is the difference? How much is it? How did it happen?

UNIT 12 HANDOUTS

1. The Business Check and Check Stub / Daily Cash Sheet
2. Bank Statement / Checkbook Register / Reconciliation Statement

THE BUSINESS CHECKBOOK

Check No. 104 $ 300.00 Date 5/30/89 To Hawthorne Realty For June Rent	FIRST NATIONAL BANK Check No. 104 Date May 30, 1989 Pay to the Order of Hawthorne Realty $ 300.00 Three hundred dollars and 00/100 dollars Quality Tires 150 North Avenue Newmarket, Iowa Marla Hamilton 1:11112712491: :001568 3
Bal. Bro't For'd. $ 3,200. Amt. Deposited 5/30 + 500. TOTAL $ 3,700. Amt. this Check - 300. Bal. Car'd. For'd. $ 3,400.	

THE STUB: To record deposits and payments

THE CHECK: To pay expenses of the business

Three steps in using a checking account

1. Depositing revenues from the business operations
2. Writing checks to pay all business expenses.
3. Checking the monthly bank statement to make sure your records agree with the bank's (Bank Reconciliation Statement).

DAILY CASH SHEET

Cash Revenues		Cash Payments	
Cash Sales	$ 350.00	Salaries	$ 200.00
*Credit Sales	150.00	Building Expenses	300.00
*Cash received today from past credit sales (payments on your accounts receivable)		Utilities	50.00
		Equipment and Furniture	175.00
		Inventory	1,600.00
		Supplies	25.00
		Advertising	
		Other	
TOTAL CASH REVENUES	$ 500.00	TOTAL CASH PAYMENTS	$ 2,350.00

Used to record the cash flow for the day. This information will be used to prepare other financial reports.

BANK STATEMENT FOR JULY

Date of Transaction	Amount	Type of Transaction	Balance
		Opening Balance	$450.00
July 2	$135.00	Deposit	585.00
July 3	300.00	Check	285.00
July 3	85.00	Deposit	370.00
July 7	45.00	Withdrawal	325.00
July 7	412.00	Deposit	737.00
July 8	72.00	Check	665.00
July 10	108.00	Check	557.00
July 25	23.00	Check	534.00

YOUR BUSINESS CHECKBOOK REGISTER

Date	Check No.	Check Issued to (or deposit made)	Amt. of Check (subtract)	Amt. of Deposit	CHECKBOOK BALANCE
		PREVIOUS BANK RECONCILIATION BALANCE			$ 450.00
July 1	783	Restaurant Paper Supplies, Inc.	72.00		378.00
July 1	784	Texas Beef Company	300.00		78.00
July 2	---	Daily Deposit		135.00	213.00
July 3	---	Daily Deposit		85.00	298.00
July 5	785	Edison Electric	23.00		275.00
July 7	---	Withdrawal of Petty Cash	45.00		230.00
July 7	786	Food Warehouse	108.00		222.00
July 7	787	1st Natl Bank (loan)	60.00		162.00
July 7	788	Herb's Hardware (2pans, spatula)	19.00		143.00
July 7	---	Daily Deposit		412.00	555.00

YOUR RECONCILIATION STATEMENT

(Compares your checkbook with your bank statement)

Closing Bank Balance $534.00

Unrecorded Deposits (plus) _____

Sub Total _____

Outstanding Checks (subtract)

_____

_____

_____

Total of Outstanding Checks _____

NEW BANK BALANCE _____

My Checkbook Balance _____

DIFFERENCE (Plus or minus) _____

UNIT 13

MAKING SURE YOU HAVE ENOUGH CASH

GOAL: To help you keep track of the cash in your business.

OBJECTIVE 1: List three ways of keeping your business successful.

1. Making sure you have enough cash available when you need it.
2. Keeping your profits up and your costs down.
3. Continually improving your products and services.

OBJECTIVE 2: State the purpose of the Cash Flow Statement.

The primary purpose of a projected cash flow statement is to make sure you have enough money to pay your bills. It is usually prepared for the upcoming three months and lists the expected or anticipated amounts of money coming into the business (revenues), the bills or expenses that will be coming due and payable (expenses) and, finally, the expected Cash on Hand at the end of each month and the three month period.

UNIT 13

STUDY QUESTIONS

1. What are the three most obvious but often overlooked or ignored ways of keeping your business successful?

2. State the main purpose of the cash flow statement?

3. Why is it considered an early warning tool?

UNIT 13

CASE STUDY OR PLANNING EXERCISE

Review the cash flow statement and suggest several things you could do as this business owner to provide for a positive cash flow or balance by the third month.

What if nothing can be done by you to reverse the negative cash flow?

What should you begin thinking about?

CASH FLOW STATEMENT

PROJECTED FOR NEXT THREE MONTHS

Cash Revenues	August	September	October
Cash on hand from previous month	$ 200	$ 150	$ 100
Revenues from hospital	4,100	4,200	4,300
Revenues from home care	4,000	4,100	4,200
Total Revenues	$8,300	$8,450	$8,600
Cash Payments			
Salaries to nurses	$7,000	$7,200	$7,500
*Other expenses + payments	1,150	1,150	1,150
Total Expenses	$8,150	$8,350	$8,650
Cash on hand at the end of month	$ 150	$ 100	$(-50)

*Includes rent, equipment and furniture, supplies, advertising and other expenses

UNIT 14

KEEPING YOUR PROFITS HIGH

GOAL: To help you study your business finances and keep you profits high.

OBJECTIVE 1: State the most important financial goal of any business.

Making a Profit: The most important goal. There are many reasons for going into business but profit is at the top of the list of goals once you are in business.

OBJECTIVE 2: Explain the purpose of the profit and loss statement and list three of the main parts.

The purpose of the Profit and Loss Statement is to show if you made a profit during the period.

Its five main parts are:

1. Revenues
2. Cost of goods sold
3. Gross profit
4. Operating expenses
5. Net profit

OBJECTIVE 3: Explain the value of the profit and expense ratio.

Profit Ratio: A percentage comparing net profit to revenues.
Net Profit divided by Revenues = Profit Ratio

Expense Ratio: A percentage comparing expenses to revenues.
Net Profit divided by Expenses = Expense Ratio

These ratios are meaningless by themselves but have value to the small business owner when they are compared to similar ratios for other periods or other business owners. Are they higher or lower? Rising or falling? Why?

OBJECTIVE 4: State two ways to increase your profits.

1. Increase your revenues: By increasing sales, raising prices, improving services, expanding your product or service line, special marketing campaigns and training employees.

2. Lower expenses: By cutting costs, better control of costs, planning and organizing.

UNIT 14

STUDY QUESTIONS

1. Name the most important financial goal for any business, large or small.

2. What are the five main parts of the profit and loss statement?
   What is the main purpose of the profit and loss statement?

3. Explain how to calculate the net profit ratio.

4. Explain how to calculate the expense ratio.

5. Identify the only two ways to improve profits with regards to the basic formula of R - E = NP.

6. List several ways you may be able to increase sales revenues. That is, how can you put more money into the cash register?

7. In what ways would you be able to reduce expenses?

8. In what ways do the ratios determined in questions three and four above become valuable indicators for you?
   How can you make a value judgement about a profit ratio of 20% to say - it may be good or bad?

UNIT 14

CASE STUDY OR PLANNING EXERCISE

Using the sample two year profit and loss statement, prepare a "Financial Statement Analysis". Compare and contrast the actual increases or decreases; revenue, expense and net profit ratios; and trends or indicators of action you should or could take to improve some of the ratios.

Was 1980 or 1981 the "better year"? Why?

Explain why someone might suggest that expenses went up by 2%, when, in fact, they went up 13.7%? How might the untrained person make that mistake?

WORKSHEET

PROJECTED INCOME STATEMENT

DATE: From _____

To _____

	1st Month	2nd Month	1st Year
Sales	$		$
Costs of Goods Sold	$		$
Gross Profit (Sales Less Cost of Goods Sold)	$		$
Operating Expenses:			
Salaries & Wages (Excluding owner's withdrawals)			
Owner's Salary and Withdrawals			
Rent			
Advertising and Promotion			
Taxes and Licenses			
Insurance			
Depreciation			
Supplies			
Repairs and Maintenance			
Professional Services (Legal Accounting)			
Other Expenses			
TOTAL OPERATING EXPENSES	$		$
Net Profit Before Income Taxes and Loan Payment (Gross Profit Less Operating Expenses)	$		$

TWO YEAR PROFIT/LOSS STATEMENT

	1980	1981
Revenues		
Regular Service to Clients	$49,152	$53,760
Extra Services	848	1,240
	$50,000	$55,000
Expenses		
Salaries (2 part-time operators)	$12,400	$14,168
Rent	4,080	4,680
Utilities	1,540	1,660
Equipment Rental (phones)	4,200	4,680
Supplies	1,240	1,300
Advertising	2,980	4,000
Other	3,560	3,612
	$30,000	$34,100
Net Profit (before Rachel's salary and income taxes)	$20,000	$20,900

UNIT 15

KEEPING YOUR BUSINESS SUCCESSFUL

GOAL: To help you decide how to change your products or services to keep your business up to date.

OBJECTIVE 1: State two ways of increasing sales in your business.

1. Improve your services or products.
2. Change to new or different products or services.
3. Do a good job. Do what you say you will do. Build a good reputation.
4. Keep your customers' needs and wants as your highest priorities.

OBJECTIVE 2: List several ways of getting information to use in changing your business.

1. Study and recheck your products and services.
2. Listen to your customers and employees.
3. Study changes in your neighborhood.
4. Find out about what your competition is doing.
5. Read about trends in the marketplace:
   a. daily newspapers - local. state, national and international news
   b. trade magazines
   c. newsletters
   d. trade journals
   e. government agencies - local, state and national

UNIT 15

STUDY QUESTIONS

1. When should you improve your products or services?

2. What is the impact for your business by doing a good job for one customer?

3. What could be the possible results of winning an argument with your customer?

4. Why should your customers' needs and wants be your highest priority.

5. List several ways you can get information to use in order to change your business operations or services.

UNIT 16

TAXES AND INSURANCE

GOAL: To help you protect your business and file your tax reports.

OBJECTIVE 1: List three types of insurance protection your business may need.

1. Property Casualty - Fire, theft, physical damage (to your property)

2. Liability - You or your business operation causes physical damage to other persons or their property.

3. Life - You or your partner for business continuation.

OBJECTIVE 2: List three tax reports which you may need to file with the state or federal government.

Federal and state income taxes: 1040, 1065, Schedule C (Profit or Loss).

Taxes withheld from employees for Unemployment, Social Security and Income.

The employer portion of Social Security and Unemployment taxes.

Sales tax reports on certain products.

Self-employment estimated taxes.

UNIT 16

STUDY QUESTIONS

1. What does property casualty insurance cover?
   Who is protected from direct loss?

2. What does liability insurance cover?
   Who is protected from direct loss?

3. Would you need life insurance as part of your
   small business protection? Why?

4. Where should you go for advice or information
   regarding insurance protection?
   What is the difference between an agent and a broker?

5. For a small sole proprietorship with no employees,
   what are the basic tax forms you have to file with
   the state and federal IRS?

6. How does this change if you become a partnership
   and/or add a few employees?

7. What are the time tables or deadlines for sending in
   your income taxes on the profits of your business?

8. When you say a business expense is 100% deductible,
   does that mean it is "free"? Explain?

APPENDIX

ENTREPRENEUR AWARENESS SURVEY

WHAT DO YOU KNOW ABOUT SMALL BUSINESS

Name _____

Center _____ Date _____

1. List three personal qualities or characteristics of an entrepreneur.

   A. _____ B. _____ C. _____

2. List five of the eight responsibilities of a small business owner.

   A. _____ B. _____ C. _____

   D. _____ E. _____

3. List three things you need to know about a location before deciding to open a new business there.

   A. _____ B. _____ C. _____

4. List three sources of money for starting your first new business.

   A. _____ B. _____ C. _____

5. When setting the price of a certain product, you should:

   A. Charge a little more than your competitor.
   B. Charge a little less than your competitor.
   C. Charge enough to cover your costs and expenses.
   D. Charge enough to make a profit.

6. Circle the best advertising medium to use for a small SERVICE BUSINESS.

   A. The Newspaper B. The Yellow Pages
   C. Radio D. Outdoor Billboard

7. To make a sale, you should first greet the customer warmly and next:

   A. Present the product to the customer.
   B. Encourage the customer to buy.
   C. Discuss prices of different products with the customer.
   D. Ask the customer questions.

8. What are two things you should find out about by market research analysis in order to decide what products sell in your business?

   A. _____ B. _____

9. List three of the seven steps a boss would take to hire new employees.

   A. _____ B. _____

   C. _____

10. List two of the most important decisions you have to make when buying goods or supplies for your business.

    A. _____ B. _____

11. To record the cash received from a customer, you usually use:

    A. Inventory card
    B. Business check
    B. Sales slip
    D. Purchase order

12. To find the amount left in your bank checking account, look at your:

    A. Business check
    B. Check stub or register
    C. Profit/Loss statement
    D. Statement of financial need

13. Which formula is used to figure out how much money you made in NET PROFIT in your service business?

    A. Revenues minus expenses
    B. Expenses minus revenues
    C. Revenues minus cost of goods sold
    D. Profit divided by revenues

14. List three types of **PROFESSIONAL** people whom you could use as a business advisor for your business

    A. _____ B. _____ C. _____

15. List three reasons for keeping financial records.

    A. _____ B. _____ C. _____

16. List three types of OPERATING EXPENSES in a small business.

    A. _____ B. _____ C. _____

17. List three things you could do in your small business to increase your REVENUES.

    A. _____ B. _____ C. _____

18. Place the following steps in planning a business in the correct order by indicating 1st, 2nd, 3rd or 4th:

_____ Write a business description and detailed business plan report

_____ Choose a business location or area to sell you products or services

_____ Decide to go into your own business

_____ Select the products or services you will sell

19. Below is a list of business forms and a set of phrases describing ways each form may be used. Choose the BEST use for each form and write the appropriate matching letter in the blank provided.

_____ Purchase order	A. Finding out how much product you have left
_____ Job description	B. Hiring and managing employees
_____ Work order	C. Choosing suppliers
_____ Work schedule	D. Organizing your workers' productivity
_____ Inventory card	E. Recording retail sales
	F. Buying goods and supplies for your business
	G. Writing down the work a customer has agreed to pay for

20. Below is a list of financial statements and a set of phrases describing ways they may be used. Choose the BEST use for each form and write the appropriate letter in the blank provided.

_____ Statement of Financial Need	A. Deciding if you can pay your bills next month
_____ Profit and Loss Statement	B. Listing the money you want to borrow
_____ Project Cash Flow Statement	C. Recording a customer's payments and debts
	D. Figuring out an "Expense Ratio"

21. What are the three legal forms of business ownership?

A. _____ B. _____ C. _____

22. What are the three main steps used in order to make sure work is completed by your employees?

A. _____ B. _____ C. _____

23. Revenues or Sales Income minus Cost of Goods Sold equals Gross Profit.

Then after subtracting _____ you can determine your business Net Profits.

24. Name two types of business insurance coverage you may need.

A. _____ B. _____

25. Name two types of taxes you may be liable for if your business makes a profit or if you employ any workers.

A. _____ B. _____

26. What are three advantages of owning your own business?

A. _____ B. _____ C. _____

27. What are two disadvantages of owning your own business?

A. _____ B. _____

QUIZ ONE (REVIEW OF UNITS 1 - 4) NAME _____

1. List three personal qualities or characteristics of successful small business owners.

   A. _____ B. _____ C. _____

2. List five of the eight main duties or responsibilities of the small business owner (list all for extra credit).

   A. _____ B. _____ C. _____

   D. _____ E. _____ F. _____

   G. _____ H. _____

3. When considering the definition of a small business, what are two things you would expect most have in common (how are they the same)

   A. _____ B. _____

4. What are two things you should discover by market research analysis in order to know what products or services to offer in your business. (What will "sell"? Can you make a profit with it?)

   A. _____ B. _____

5. Name three types of PROFESSIONAL PEOPLE you could use as business advisors.

   A. _____ B. _____ C. _____

6. Name two organizations or places you could visit in order to get helpful business information.

   A. _____ B. _____

7. List two of the four ways of getting into your own business.

   A. _____ B. _____

8. What would you want to know about a location before deciding to open a business at that place in your town?

   A. _____ B. _____ C. _____

9. What are the three legal forms of business ownership?

   A. _____ B. _____ C. _____

QUIZ TWO (REVIEW OF UNITS 5 - 9) NAME _____

1. List two sources of money for starting your first small business.

   A. _____ B. _____ _____

2. In setting the price of a certain product, you should:

   A. Charge a little more than your competitor.
   B. Charge a little less than your competitor.
   C. Charge enough to cover your costs and expenses.
   D. Charge enough to make a profit.

3. List three of the activities used when hiring new employees.

   A. _____ B. _____ C. _____

4. List two of your main concerns when buying goods for your business.

   A. _____ B. _____

5. List two things to consider when selecting suppliers.

   A. _____ B. _____

6. Place the following steps in planning a business in the correct order by numbering them 1 through 4:

   _____ Writing a business description and detailed business plan
   _____ Choosing a business location or area to sell your products or services
   _____ Deciding to go into your own business
   _____ Selecting products or services you will sell

7. Match the following list of business forms and use statements.

Business Form	Used In
____ Purchase order	A. Finding out how much product you have left
____ Job Description	B. Hiring and managing employees.
____ Work Order	C. Choosing suppliers
____ Work Schedule	D. Organizing your workers' productivity
____ Inventory card	E. Recording retail sales
	F. Buying goods and supplies for your business
	G. Writing down the work a customer has agreed to pay for

8. List the three major ingredients that go into the "Pie Chart" that must be considered when establishing the PRICE you charge your customers.

   A. _____ B. _____ C. _____

9. What are the three main steps used in order to make sure work is completed by your employees?

   A. _____ B. _____ C. _____

EXTRA CREDIT: LIST THE 8 POPRCGSS

QUIZ THREE (REVIEW UNITS 10 - 15) NAME _____

1. The best advertising medium to use for a small SERVICE business is

   A. Newspaper B. Yellow Pages C. Radio D. Outdoor billboard

2. To make a sale you should first greet the customer warmly and then

   A. Present the product to the customer.
   B. Encourage the customer to buy.
   C. Discuss prices of different products with the customer.
   D. Ask the customer questions.

3. To record cash received from customers, you usually use the

   A. Inventory card B. Business check
   C. Sales slip D. Purchase order

4. To find the amount left in your bank account, look at your

   A. Business check B. Check stub or register
   C. Profit/Loss statement D. Statement of financial need

5. Which formula is used to figure out how much money you made in net profit in your service business?

   A. Revenues minus Expenses B. Expenses plus Revenue
   C. Revenues minus Cost of Goods Sold D. Expenses divided by Revenues

6. List three reasons for keeping financial records.

   A. _____ B. _____ C. _____

7. List three types of operating expenses (costs to run the business)

   A. _____ B. _____ C. _____

8. List three things you could do in a small business to increase your REVENUES (How can you put more money into your cash register?)

   A. _____ B. _____ C. _____

9. Match the following financial statements and ways they may be used

_____	Statement of Financial Need	A. Deciding if you can pay your bills next month
_____	Profit and Loss Statement	B. Listing the money you want to borrow
_____	Projected Cash Flow Statement	C. Recording a customer's payment and debts
		D. Figuring out an expense ratio

QUIZ THREE (REVIEW OF UNITS 10 - 15) - CONTINUED

10. List two things to think about when planning your advertising.

A. _____ B. _____ C. _____

11. People buy to satisfy their _____ or their _____.

12. List two ways to keep your business successful.

A. _____ B. _____

13. The most important financial goal of any business is to _____ _____ _____.

14. Revenues or Sales Income minus Cost of Goods Sold equals Gross Profit.

Then after subtracting _____ you can determine your business Net Profits.

FOR EXTRA CREDIT COMPLETE A, B OR C (ONLY ONE):

A. List the eight major responsibilities of a business owner (THE POPR CGSS)

1. _____ 2. _____

3. _____ 4. _____

5. _____ 6. _____

7. _____ 8. _____

B. Place the following steps in planning a business in the right order by numbering them 1, 2, 3 or 4:

_____ Writing a business description and detailed business plan report.

_____ Choosing a business location or area to sell your products or services.

_____ Deciding to go into your own business.

_____ Select products or services you will sell.

C. Match the following list of business forms and use statements.

Business Form	Used In
_____ Purchase order	A. Finding out how much product you have left
_____ Job Description	B. Hiring and managing employees.
_____ Work Order	C. Choosing suppliers
_____ Work Schedule	D. Organizing your workers' productivity
_____ Inventory card	E. Recording retail sales
	F. Buying goods and supplies for your business
	G. Writing down the work a customer has agreed to pay for